STATE DEPARTMENTS

MESSAGE

OF

GOVERNOR ROY E. AYERS

TO THE

Twenty-sixth Legislative Assembly

OF THE

STATE OF MONTANA

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STATE PUBLISHING CO., HELENA, MONT.

GOVERNOR'S MESSAGE

Mr. President, Mr. Speaker and Members of the Twenty-Sixth Legislative Assembly:

Again it becomes my duty to appear before the duly elected members of a legislative assembly of our State to submit to you a message on the condition of the State, and also make such recommendations as I may deem expedient. I approach this task with a full understanding of the necessity for sincere cooperation on the parts of that department which you comprise and the department over which it is my high privilege to preside, to the end that the welfare of the people of Montana may be adequately protected and constructively promoted.

Since the convening of the last session, and the beginning of the present state administration, we have had a marked mixture of adversity and good fortune for the people of Montana. Continued unemployment and unfavorable crop conditions in some sections have imposed inescapable burdens upon the state government. Even with the generous assistance which the federal government has extended, your governing authorities have often been confronted by serious difficulties in their efforts to prevent human suffering and provide the actual necessities of life to those beset by misfortune. Nevertheless, we can all take comfort from certain developments during this time. An abundance of moisture which definitely broke an extended period of disastrous drought, not only enabled a majority of our farmers to produce one of the largest cereal crops ever harvested in Montana but also brought forth a heavy crop of hay and restored our range lands to a high state of usefulness. While the prices of some agricultural products are still discouragingly reduced, we cannot help deriving satisfaction from the re-assurance of the splendid productivity of our soil under reasonably favorable climatic conditions.

During recent months, also, there has been a notable increase in employment, particularly in some of our larger industries, and fairly satisfactory business and financial conditions are reported from many sections of the State.

I have been particularly impressed, as I know all of you have, by the courageous spirit of our people and the undiminished faith they have exhibited in their state and its certain return to a condition

of prosperity. That same spirit in our pioneers established the foundations of this splendid commonwealth and will continue to be the driving force which will enable us to pass along a prideful heritage to future generations of Montanans.

But if we are to have proper regard for the welfare of those now living as well as of those who are to come after us, we must be diligent in our efforts to provide and maintain an honest, economical, businesslike governmental management. With that end in view, two things are essential: The people must not be asked to give of their earnings, in the shape of taxes of any sort, more than is absolutely necessary to meet the needs of government; and second every dollar raised for public purposes must be wisely expended; I might add, as a third essential, a most persistent effort to avoid incurring public indebtedness lest the credit of the State be needlessly impaired.

The problems of government were never so important or complex in the peacetime history of the world as they are today. We seem to be moving by leaps instead of by more or less evolutionary processes. Perhaps this is progress, but it is also good common sense to look carefully before we leap and take stock of finances. In acceptance of new programs we must pay attention to the fundamental rules of sound business. We must strive at all times that Montana maintain a balanced budget.

I am pleased to direct your attention to the record made in this respect during the past two years. For the first time in twenty years, our general fund was in balance over a period of nearly eighteen months. It is only slightly off now, as I shall instantly show, but new demands continually threaten this condition. We are on thin ice. It is up to you to see that we do not break through.

I crave your indulgence while I briefly present to you comparative figures relating to the State's financial situation.

The overdraft of the general fund on January 1, 1935, was $1,770,205.73. On January 1, 1937, the overdraft was $944,571.03. That was the date upon which the present administration took over the reins of government.

On January 1, this year, the overdraft was $566,000, but this does not take into account the sum of $411,000 in specially impounded funds held in the treasury. With this deducted, the instant deficit in the general fund is but $155,000. We hope this will be wiped out by receipts now in process of collection and transmission to the treasurer.

Incidentally, I strongly urge that these impounded funds, amounting to $411,000, be forthwith transferred to the general

fund by appropriate legislative action, and I might suggest that a portion of it be the substance of your Appropriation Bill Number One.

This satisfactory condition of our state finances has been achieved in the face of the facts that we have, during the past two calendar years, paid off the $944,571.03 of outstanding warrants evidencing the overdraft of two years ago and $3,085,952.75 in principal and interest of our bonded indebtedness. These things have been accomplished notwithstanding all the new burdens that have been voluntarily assumed and those which have been thrust upon us with the changing conditions with which all are familiar. Chief of these new burdens is the extraordinary expenditures required of the Public Welfare Commission.

Further, to give you an accurate picture of the State's financial condition, I desire to set before you the present indebtedness which is as follows:

There are outstanding at the present time capitol building, educational institution, highway and special project bonds in the sum of $9,137,224.25. I especially call your attention to the status of the capitol building bonds, a matter which I suggest should receive your attention. Of the total amount of these bonds, $576,177.00, the principal in the sum of $418,000 and defaulted interest in the sum of $50,000 will be due and payable in April of this year, and another $100,000 will be payable a year later. I recommend that provisions be made whereby these bonds may be refunded at a lower rate of interest and at least the accrued interest now in default be paid.

Proceeding further with an analysis of the state's bonded indebtedness, it may be stated that the highway debenture bonds now outstanding in the sum of $1,290,000 are being regularly retired from proceeds of the gasoline tax and that the special project bonds in the sum of $2,589,000 issued for the construction of buildings at the various units of the Greater University of Montana, are secured by special income funds and by the land grants to those institutions.

Then, in the final analysis, our outstanding bonds, the liquidation of which must be charged against the revenues collected under the general tax laws of the state, amount to but $4,282,000.

You will have placed before you the budget prepared by the State Budget Commission. It will be found to contain requests from the heads of institutions, departments, boards and commissions in a total sum which is greatly in excess of the anticipated revenues of the state for the biennium for which appropriations will be made. Whenever we have felt increases justified, we have so indicated.

In several instances, however, we have chosen to submit to you the requests without recommendations leaving to your collective judgment, formed after exhaustive investigations by your proper committees, the task of determining not only what is proper but also how much it is possible to allot to each of the state agencies and still observe the explicit constitutional provision that no more than the anticipated revenues shall be appropriated,—this you must not do.

I told the Assembly in my inaugural address two years ago that I would drive for substantial reduction in state levies against real property with the hope that in the end it could be entirely eliminated. And now I report to you that an average reduction of 1½ mills on the total state taxable valuation was effected this last calendar year, and that it reflected to the total extent of over $500,000 on the taxpayers' receipts last fall, and that every taxpayer received his proportionate benefit. This amounted to a benefit of approximately $1.00 for every man, woman and child in the state.

I realize that whenever an apparently impelling need appears, there is always the temptation to seek about for additional revenues to meet that need. In this connection, I am constrained to say that the imposition of more taxes upon any of the property in the state is a matter for the most serious consideration. It has become an accepted fact that property tax levies of every description can, and frequently are, raised to the point of diminishing return. We have had thousands of instances here in Montana which confirm the validity of this theory. Taxes assessed against farm and pasture lands and other forms of real estate have been so high that owners of such property in all too many instances have had no option other than to permit them to become delinquent and cause loss of their property. In order that there may be no misunderstanding of my own position, I here assert that I shall not approve any measure increasing taxes on real property and would be most grateful if I could be given an opportunity to approve further reductions in that field of taxation, to the ultimate end that real estate taxes for state purposes be eliminated.

I shall go further and point out that all businessmen, in addition to those owning and using real property, are at present being taxed at figures which could easily be increased to the point of diminishing returns. I do not now recall any Montana business, large or small, against which higher levies can be made without imposing burdens which might easily be a hindrance to progressive enterprise. In the family of "little businessmen" I can go you one further, for in this class I can recall many who would be compelled to liquidate if any additional levies were placed upon them. They are among the "forgotten man" in the field of taxation.

You may explore and I believe it is your duty to explore any field of taxation not now being cultivated, for the purpose of discovering new sources of revenue required to meet the new demands made upon us by our progressive social development, having in mind at all times the primary necessity of conserving in every possible way the funds already available in order that they may serve the largest possible number of needs in the most adequate manner.

A comparatively recent development which has become a matter of major concern in determining the size of governmental budgets is that which calls upon the state to provide an adequate system of social security. The ancient query: "Am I my brother's keeper?" has been answered in an emphatic affirmative by the American people and they are making a determined effort to justify their answer by their works. The federal government and the various state governments have undertaken to assume the obligation of providing, not merely a miserable existence, but comfortable subsistence for the aged and the unfortunate. Montana in common with her sister states, has set up an organization for this purpose.

The Montana Unemployment Compensation Commission program—commonly known as job insurance—becomes effective the first of next July and provides means of protection in the future for those unfortunate enough to lose their jobs. More than 100,000 Montana men and women now have this protection and, for them, July first will mark a new era in the domain of social and economic security.

All workers do not have this protection; only those who have earned the right will be eligible to draw benefits. Only those who work for covered employers can earn this right. There is no charity in the program.

More than five million dollars, contributed by employers, will be available in the trust fund collected by the Commission and this will pay its own way. The Unemployment Compensation Commission, in the interest of simplification and liberalization has recommended certain amendments to the law. Should these win your approval, they will make the Montana law the most generous in the nation. I commend your careful consideration of these proposals, keeping in mind that the Social Security Board at Washington advances administrative costs and retains the right to pass on all changes.

The Public Welfare Commission is vested with the duty of providing for the needs of the aged and the unemployed not covered by the Unemployment Compensation law, the needy blind, crippled and dependent children, and other unfortunate members of our

social order. The demands made upon this Commission have been extremely heavy during the last calendar year. There appears little likelihood that the total sum needed, made up by the thousands of demands, will diminish during the next biennium. And there is always the possibility that much of the assistance afforded by federal agencies may be curtailed, thus throwing an increased burden upon the State. Regardless of all other necessities, we cannot ecape this solemn obligation founded as it is upon the most compelling instinct of humanitarianism. I fix no definite amount, by way of recommendation, for your consideration, feeling that your appropriate committees, following a thorough investigation of the subject, will be able to arrive at conclusions which can be submitted with ample supporting data to the two branches of this Assembly.

I earnestly commend for your consideration the advisability of providing that all public monies received by the state from whatever sources, except where otherwise provided by constitutional mandate and designed to become portions of established trust funds, be deposited to the credit of the general fund of the state and withdrawn in pursuance of appropriations made by the Legislative Assembly. This will make for the simplification of the State's financial operations and lessen the possibilities of wastage by misapplication of public funds.

During the past ten years there have been many millions of acres of land taken off the tax rolls of the State and there still remain some three million acres off the rolls. Its average annual assessed valuation during this period has been $20,460,000; however, there is attached to this a greater loss than that measured by dollars and cents, namely, the fact that the individual owners found themselves bankrupt and in many instances were compelled to resort to the relief rolls of some kind, and in all too many cases they are still there. This was occasioned primarily by the improper use of these lands.

I am sure these unfortunate people, in this position by no fault of their own, will maintain themselves and their families if we can find ways and means to get them started; therefore, rehabilitation is one of the greatest questions confronting this Assembly and myself at this instant. I have set out to accomplish this purpose and at the same time and in the same way to help the entire State and all of its people. In doing so I am mindful that the loss of $20,460,000 assessed value was not the State's only loss; this was secondary to the fact that these particular farmers lost all their worldly possessions.

Tax records of the State disclose that one acre of irrigated land has an average tax production equalling six acres of other

agricultural and grazing lands. Now, in order to recover the assessed valuation lost, and in order to recover it from the earth itself and at the same time not increase any existing tax, we must put 500,000 new acres under irrigation. This is what I started out to do when I was sworn into office two years ago today, and now I am glad to report progress to this Legislatve Asembly.

By the energy and the activities of the State Water Conservation Board we have already placed new land under irrigation and have provided supplemental water supply, which will be completed for use this year, for a total of lands in excess of three hundred thousand acres, half of which is new to irrigation. That is to say, we have recouped about one-third of the land tax loss.

In order that you may know my aim in this respect I will say that it is my hope and the hope and ambition of the Water Conservation Board that during the remainder of my administration we furnish water for irrigation of the additional two-thirds of the new land necessary to replace the annual $20,460,000 land assessment loss; and permit me further to say that we hope to replace at some taxable value and at a great benefit to the people and the state, the three million acres now off the tax rolls, for it is our plan and ambition to make that three million acres beneficially available under our grass conservation program, as an aid and supplement to the irrigated lands, for livestock pasture and range purposes. In that way we will rehabilitate not only the lands and the people first affected but also the livestock industry, thereby balancing the operations of the water conservation program with the grass conservation program. Not only is it important to place these lands back on an earning basis and add the half million acres of irrigated lands to our tax rolls, but it is equally important to make it possible for our people, agriculturally and livestock-minded, to progress on these lands and at the same time bring a new wealth to the State amounting to more than twenty million dollars per year. This anticipation is premised upon findings by the Department of the Interior based upon its study and experience over a period of years through the Bureau of Irrigation and Reclamation which has recently issued a statement to the effect that every acre of irrigated lands in areas like Montana produces an average of forty dollars of new wealth each year.

By this Assembly joining with us in this dependable and permanent form of relief we can within the next biennium bring to Montana this additional new wealth, which, after all is said, is only secondary to the objective, for primarily it will revive the morale of our citizenry as it will relieve those affected from the unfortunate necessity of any kind of state or federal relief and go

a long way in solving the permanent relief and economic problems of the State for all time to come.

So, I urge you, Ladies and Gentlemen of this Assembly, to go along with us on this already tested and established program of water conservation for use upon the land and this grass conservation program for use in the production of our livestock to the end that we bring Montana back to its own, and thence proceed to greater and better things. A majority of the profits from the liquor Control Board could be put to no better use than to aid in these accomplishments.

I would suggest that, at the earliest possible time in the course of your deliberations, regular or special committees be empowered to pursue thorough and painstaking inquiries into the operations of all state governmental activities. I invite a visit and investigation of each state institution and I particularly request a thorough examination of the physical conditions of the State Hospital at Warm Springs. The water supply at that institution and the fire hazard need prompt attention and without the approval of this Assembly proper facilities in this respect cannot be had.

It is my special request that the functions of each board, bureau and commission which comes directly under the jurisdiction of the Governor be known and understood by you. With this idea in mind and in view of the large sums of public money involved in their transactions, I welcome your bodies and yourselves individually to examine all activities of the Liquor Control Board, the Highway Commission, the Public Welfare Board and the Water Conservation Board.

I suggest that you refer to the message which I delivered from this rostrum two years ago and take note of the pledges therein made. I sincerely believe that you will find that considering the conditions then existing and those which have developed this intervening biennium, all of those pledges have been kept so far as humanly possible. And I am sure that an examination of the affairs of my administration will develop the fact that I have in no way abused any authority or confidence reposed in me by the previous Assembly. Two years ago the Legislature joined me in a reorganization program for efficiency and economy and among other things and at my request it passed an act giving the Governor complete authority over his appointive departments. This Act I requested as a temporary measure for use as long as necessary. Your inquiries into the departments will prove the wisdom of that legislation. I immediately set out to effect that purpose and we have gone a long way toward that end; however, in some instances it is not completed because we have found that numerous revisions

of existing statutes will be necessary to permit efficient operation in several departments. Suggestions for correction of the administrative ills will be submitted to you during the progress of your session. In order to accomplish what I have started out to do, I solicit your continued cooperation and ask that that law be continued in effect for the next biennium, by which time I hope to have accomplished the objectives of efficiency and economy, and I trust that a repeal of this Act, effective at that time, may be had.

I have observed that at previous Legislative Sessions, State officers, both elective and appointive, and their assistants, deputies and employees, have spent entirely too much time on the floors of the chambers of the Legislative Assembly and in lobbying among the members, all of which has retarded legislative progress and deterred efficient state service on the part of those neglecting their own duties to follow this unnecessary practice.

All department heads, institution heads, and all bureaus, boards and commissions appointed by me, and all their subordinate officers and employees have been and are now by this message again instructed to refrain from this practice. They are being paid by the taxpayers of the State to discharge the duties of the offices and positions to which they were appointed and should and must devote their time and attention to their regular work and not bother or disturb you in the discharge of your duties.

However, they have all been instructed and are now again instructed that their time is yours when called upon and that they must respond to any and all requests made upon them by your bodies, and in such event they shall furnish you with all information and data possible, and aid you in every way that you may require.

I bespeak for you a harmonious Session, marked by earnest endeavor to serve only the highest welfare of the people of our great State, and I pledge you every aid that I can render to make your labors pleasant and of constructive benefit to our beloved Commonwealth. May a Divine Providence guide and keep us steadfast in these important duties.